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Statement of Paul J. McNulty

Regarding the Guilty Plea in
United States of America v. Jeffrey R. Anderson and
United States of America v. Scott H. Miller
September 23, 2003

Corporate fraud cases are never simple, but they are always destructive. They erode public confidence in financial markets. They cheat honest citizens of their investments. And they weave a web of deceit that consumes many resources to prosecute and remedy.

Such is the case that I announce today. Jeffrey R. Anderson, a former senior officer of PurchasePro.com, a defunct publicly-traded company headquartered in Las Vegas, Nevada, has pled guilty to wire fraud in a wide-spread conspiracy to inflate that company's revenue in a scheme designed to sustain its appearance as a growing, successful Internet company. Working with senior members of a business unit within a major media company headquartered in the United States, Mr. Anderson conspired to defraud PurchasePro of its right to honest services and cheated share-holders out of their investments.

The scheme may have been complicated but the end goal was not. It was personal gain. By lying to the public, the share-holders of PurchasePro and the Securities and Exchange Commission, Mr. Anderson artificially inflated the company's worth. He tried to make his company's value appear to be something it was not. He was selling an empty promise of productivity that would never come to fruition. He knew full well what he was doing was wrong and unlawful. He did not know he would get caught and would pay dearly for his crimes.

This prosecution will restore some of the investor confidence that was frittered away by the defendant. Today's plea, however, represents only the beginning of our effort to investigate

and prosecute corporate fraud and to bring to justice those who purposefully deceive the financial markets and the investing public.

Jeffrey Anderson was a Senior Vice President of Sales and Strategic Development at PurchasePro. This now defunct company sold computer software including a so-called business-to-business “marketplace license.” This license allowed businesses to buy and sell products in PurchasePro’s own web-based Internet marketplace or create their own branded marketplace using PurchasePro’s software.

Anderson and his co-conspirators falsely inflated, and announced to the investing public, PurchasePro’s revenue from the sale of marketplace licenses. A significant portion of the reported revenue was earned from marketplace license sales improperly recorded as revenue. The sales were actually the result of side agreements that had been kept secret from PurchasePro’s outside auditors and the investing public.

PurchasePro also falsely credited a major media company, which was one of PurchasePro’s strategic partners, with customer referrals that resulted in marketplace license sales. Under a warrant agreement between the two companies, this credit for non-existent referrals allowed the media company to “earn” a total of \$30 million worth of PurchasePro warrants. In exchange for the \$30 million worth of warrants, the media company agreed to reward PurchasePro with revenue in future quarters. In fact, certain employees of the Media Company entered side agreements with the media company’s partners and suppliers, who then purchased marketplace licenses, thereby helping PurchasePro meet its revenue objectives.

Through his plea of guilty, Mr. Anderson has acknowledged his role in a wide-spread conspiracy to inflate PurchasePro’s publicly-reported revenue, to sustain PurchasePro’s appearance as a growing, successful Internet company and to meet revenue estimates. These actions were not only unethical, they violated federal laws. In short, you cannot cook the books to make it look like you earned more money than you really did. That is illegal.

In a related action, I also am announcing that Scott Miller, a former senior officer of PurchasePro.com, pled guilty yesterday to destroying records relating to PurchasePro with the intent to impede a criminal investigation.

Miller, a certified public accountant, held the position of Controller and Senior Vice President-Finance. He failed to turn over PurchasePro-related documents responsive to a United States Securities and Exchange Commission (“SEC”) subpoena, lied to the SEC under oath about his production of such documents, and after being asked by the government in February 2003 to preserve any PurchasePro-related documents, attempted to delete permanently such documents from his laptop and shredded paper copies of other PurchasePro-related documents. Miller admits his intent was to impede, obstruct and influence both a criminal investigation relating to PurchasePro in the Eastern District of Virginia, and a formal investigation relating to PurchasePro by the SEC.

The prosecution of corporate fraud cases is difficult enough without having to deal with people who lie to investigators and shred important documents. This case serves as a reminder that we will prosecute anyone who attempts to impede or obstruct a federal investigation.

In addition to the criminal actions filed today, Mr. Anderson and Mr. Miller have both consented to civil securities fraud actions filed against them by the SEC.

The investigation is ongoing and is being conducted by the Federal Bureau of Investigation. The case is being prosecuted by Assistant United States Attorneys Claudius B. Modesti and Charles F. Connolly, of the U.S. Attorney’s Office in the Eastern District of Virginia, and Adam A. Reeves, Trial Attorney with the Fraud Section, of the United States Department of Justice Criminal Division.

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